

OPENING STATEMENT OF CHAIRMAN GRASSLEY

I want to begin by thanking my fellow Members for attending these very important hearings. I am sure that by the end, you will agree that it was important for the Special Committee on Aging to examine the funeral-related industries. In addition, I want to thank the witnesses for being here today. Your testimony today will assist the Committee greatly in determining how best to address the problems that you raise.

This hearing focuses on a multi-billion dollar industry that provides funeral goods and services to Americans. Like any industry, it has its decent and caring providers. Like any industry, it has providers who are not so caring.

The Special Committee on Aging embarked on this investigation on behalf of all those citizens who have had bad experiences with the providers who are not so caring.

Some consumers have been cheated outright. Others have simply paid too much money for a funeral and burial. Why is that? Funeral goods and services are unique from most other consumer goods and services. Consumers rarely shop around and compare prices. They're grieving. They're emotional, and they put their trust in the funeral industry. Therefore, it is important that consumers are able to assure themselves that this industry is worthy of their trust.

I am particularly concerned about older Americans. They are often the targets of opportunists, but they are the least able to recover financially if they are cheated. They may lack the resources, such as money and good health, to fight back if they are misled.

So it is with these thoughts in mind that the Committee convenes these hearings. My hope is that these hearings will be constructive. We will hear some very sad and shocking stories today. But surely these stories will help us identify the consumer problems we want to solve.

One important consumer issue is the expense of a funeral and burial. Why are funerals and burials so expensive? Maybe funeral homes and cemeteries just charge what the market will bear.

Each year, approximately 2 million people die in the United States. Slightly fewer than 2 million funerals are arranged each year by 22,152 funeral homes, according to the chart over there. As the chart shows, that is an average of 1.6 funerals per week for each of these funeral homes. Of course, some funeral homes conduct more funerals weekly and others may conduct fewer each week. Nevertheless, these figures set the stage for understanding the prices charged by the industries.

The U.S. Geological Survey is in the process of determining, for the first time, the number of cemeteries in the United States. As the chart shows, the number of cemeteries is staggering. The Survey estimates there will be more than 200,000 cemeteries identified when the project is complete. Currently, there are 115,291 cemeteries identified. There are various kinds of cemeteries: for-profits (some publicly traded); non-profits; religious; private and family-run; public; and national cemeteries for veterans. Only a small portion of the cemeteries across the country are regulated.

Funerals and cemeteries are a \$12 billion a year industry. This figure does not even include casket manufacturing and pre-paid funeral arrangements. All together, this would top \$18 billion or more. This is big business!

The national average cost for a funeral, burial and monument is \$7,520. Certainly, these costs can be

much lower, but they can be much, much higher as we will hear from several of the witnesses today. In addition, funeral and burial expenses have exceeded the rate of inflation every year since, at least, 1990, and have exceeded the Consumer Price Index, as compared to all other consumer items.

Another issue facing consumers is the cost of caskets, one of the most expensive purchases in a funeral. The average mark-up on caskets is 500%. Some are marked up as high as 2,000%, as you can see from the chart.

Another consumer issue is sealed caskets, which the industry sells as a specialty item. One of our witnesses will tell us about the sales pitch for sealed caskets. The pitch involves telling consumers that their loved ones are protected, or that remains are preserved, or that the sealed casket is resistant to the elements. Our witness will tell you none of that is true.

Another important consumer issue is high-pressure sales tactics. Pre-need funeral salespeople can put on a hard sell. We'll hear about an extreme case from one of our witnesses.

Older Americans are often the targets of high-pressure tactics. Pre-need sales, for instance, are targeted at seniors since 70% of the deaths that occur are of persons 65 or older. Pre-need agreements are among the least regulated products of the funeral industries. To the extent pre-need trusts are regulated, more than one state office may regulate these instruments. That leads to confusion and complexity for consumers and regulators.

People might wonder whether consumers complain about these problems. I asked the Government Accounting Office to study that issue, among others. The GAO concluded that there were few consumer complaints because, among other reasons, there was no central place for complaints. The chart displayed over there illustrates the confusion consumers face when they have a funeral or burial complaint. As you can see, if the consumer can even figure out where to complain, it is not clear what, if any, remedy the consumer will have, short of a lawsuit in court. The GAO did not consider lawsuits as an indicator of the number of complaints that exist throughout the country. However, this Committee analyzed suits filed against certain large chains and found that there were a significant number of suits. Moreover, the Committee found that many were settled and many included confidentiality provisions. This means that consumers remain in the dark, once again.

Tomorrow we will hear from a panel of government and industry representatives. They will discuss the extent of regulation and how consumers are protected. The Committee hopes to explore what government can do better to protect consumers.

Before I introduce the witnesses, I want to thank the Committee's Ranking Member, Senator Breaux, for his strong support throughout this investigation and yield to him for an opening statement.